

**COMPREHENSIVE FISCAL ANALYSIS
FOR A PROPOSED CITY
IN THE SHASTA DAM AREA**

Post Public Hearing Edition

*(Reflects the resolution and terms and conditions adopted by the
Shasta County Local Agency Formation Commission)*

Original Comprehensive Fiscal Analysis Prepared By

Shasta Dam Area Public Utility District

With Technical Assistance From

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Berkeley, California

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COMPREHENSIVE FISCAL ANALYSIS FOR A CITY IN THE SHASTA DAM AREA

Table Of Contents

Table Of Contents	i
List Of Tables And Figures	vi
Abbreviations Used In This Report	vii
CHAPTER I. INTRODUCTION AND SUMMARY	1
A. Introduction	1
B. Disclaimer	1
C. Reasons for Incorporation	1
D. Rationale for Boundary	2
E. Plan For Public Services	3
F. Conclusions About Fiscal Feasibility	3
G. Recommended Terms And Conditions	4
H. Impact On Shasta County	4
CHAPTER II. GROWTH AND DEVELOPMENT IN THE SHASTA DAM AREA	8
A. History of the Area	8
B. Purpose Of The Development Forecast	9
C. The Development Forecast	10

1.	Setting.....	10
2.	General Assumptions.....	10
3.	Residential Development	11
4.	Industrial Development.....	11
5.	Office and Retail Development	11
6.	Redevelopment.....	12
7.	Summary.....	12
CHAPTER III. PLAN FOR PUBLIC SERVICES.....		15
A.	Introduction.....	15
B.	Applicable Principles Of Government Organization	15
1.	A Preference For Cities To Provide Municipal Services	15
2.	Local Political Leadership.....	15
3.	Economies And Efficiencies.....	16
C.	Plan For Public Services.....	16
D.	Services Currently Provided by the Shasta Dam Area Public Utility District.....	20
1.	Electric.....	20
2.	Water	20
3.	Wastewater	21
4.	Park and Recreation.....	21
5.	Economic Development.....	23
6.	Staffing.....	23

CHAPTER IV. FISCAL ANALYSIS.....	25
A. Basic Assumptions	25
1. Level Of Service	25
2. Contract Services	25
3. Continuity Of Legal Institutions	26
4. Annual Operations And Capital Expenditures.....	26
5. Creating A Reserve Fund	27
6. Start-up Costs	27
B. Results Of The Fiscal Analysis.....	27
C. Conclusions About Fiscal Feasibility.....	28
D. Discussion of the Property Tax Transfer.....	28
CHAPTER V. IMPACT ON SHASTA COUNTY	40
1. Fiscal Neutrality	42
APPENDIX A. METHODOLOGY AND ASSUMPTIONS USED IN THE COMPREHENSIVE FISCAL ANALYSIS	1
A. General	1
1. Continuity Of Legal And Institutional Constraints	1
2. Cost And Revenue Inflation	1
3. Population For State Subventions	1
B. General Fund Revenues.....	2
1. Property Tax	2
a. Incremental Increases in Property Taxes.....	4

2.	How the Property Tax Base Was Calculated	5
a.	Determining the Original Property Tax Transfer Amount.....	5
b.	Tax Apportionment Factors	6
1)	Tax Rate Areas (TRAs) and The Use of Tax Apportionment Factors (TAFs).....	6
2)	How Tax Apportionment Factors Are Calculated.....	6
(i).	Original Property Tax Transfer Amount	6
(ii).	Original Property Tax Transfer Amount Allocated Among The Tax Rate Areas	7
c.	How the City's Tax Apportionment Factors Are Calculated	8
3.	Real Property Transfer Tax.....	8
4.	Sales Tax.....	8
5.	Transient Occupancy Tax	9
6.	Franchise Tax	10
7.	Other Fines, Forfeitures & Penalties.....	10
8.	Vehicle Code Fines.....	10
9.	Motor Vehicle License Fees.....	10
10.	Cigarette Tax.....	10
11.	Off-Highway Motor Vehicle License Fees.....	10
12.	Use Of Money And Property	11
13.	Tax Anticipation Note	11
C.	Road Fund Revenues.....	11
1.	Highway Users Taxes — Tax Rates.....	11
2.	§2104 — Streets and Highways Code.....	12

3.	§2105 — Streets and Highways Code.....	13
4.	§2106 — Streets and Highways Code.....	14
5.	§2107 — Streets and Highways Code.....	14
6.	§2107.5 — Streets and Highways Code.....	15
D.	Ongoing Expenditures.....	15
1.	General Government.....	15
a.	City Council/City Administration.....	15
b.	Risk Management/Insurance.....	15
c.	Attorney/Legal Services.....	16
2.	Public Safety.....	16
3.	Planning and Land Use Control.....	16
4.	Public Works.....	17
5.	Housing Programs.....	17
6.	State And Federal Grants.....	17
7.	One-time Expenditures.....	17
8.	Reimbursement For First-Year Costs.....	17

APPENDIX B. KEY TABLES IN INFLATED DOLLARS

APPENDIX C. ALTERNATE ANALYSIS – NO PROPERTY TAX INFLATOR

List Of Tables And Figures

FIGURE I-1	PROPOSED CITY BOUNDARY	6
FIGURE II-1	EXISTING REDEVELOPMENT AGENCY BOUNDARY	14
TABLE I-1	ANNUAL GENERAL FUND BALANCE.....	7
TABLE II-1	DEVELOPMENT FORECAST	13
TABLE III-1	ORGANIZATION OF MUNICIPAL SERVICES	19
TABLE IV-2	TECHNICAL ASSUMPTIONS	32
TABLE IV-3	SUMMARY OF START-UP EXPENSES	33
TABLE IV-4	REPAYMENT TO COUNTY FOR INTERIM YEAR SERVICES	34
TABLE IV-5	REVENUE ESTIMATES	35
TABLE IV-6	SUMMARY OF EXPENDITURES AND FUND BALANCES	37
TABLE IV-7	THE APPROPRIATIONS LIMIT FOR THE CITY FISCAL YEAR 1993/94	39
TABLE V-1	SUMMARY OF IMPACT ON SHASTA COUNTY GENERAL FUND	41
TABLE A-1	SUMMARY OF PROPERTY TAX TRANSFER CALCULATION.....	Appendix A 3

Abbreviations Used In This Report

CDF	California Department of Forestry and Fire Prevention
CFA	Comprehensive Fiscal Analysis (of incorporation)
CSA	County Service Area
CSD	Community Services District
LAFCo	Local Agency Formation Commission
PTAF	Property Tax Apportionment Factor
PUD	Public Utility District (or Shasta Dam Area Public Utility District)
TAV	Taxable Assessed Value
TOT	Transient Occupancy Tax
TRA	Tax Rate Area

CHAPTER I. INTRODUCTION AND SUMMARY

A. Introduction

The Shasta County Local Agency Formation Commission (LAFCo) considered a resolution submitted by the Shasta Dam Area Public Utility District (PUD) calling for the creation of an incorporated city in the Shasta Dam Area. Throughout the present Report, an incorporated city in the Shasta Dam Area is referred to as "the City". The proposal, as approved by LAFCo, has been set for an election in June, 1993. The voters at that time will consider the question of incorporation as well as the an appropriate name for the City.

The proposed boundary for the City is shown in Figure I-1. The issue of city boundaries is discussed further in this Chapter.

This report constitutes a "comprehensive fiscal analysis" within the meaning of Government Code §56833.1. This Section states, in part: "For any proposal which includes an incorporation, the executive officer shall prepare, or cause to be prepared by contract, a comprehensive fiscal analysis." The comprehensive fiscal analysis is intended as an information document for consideration by the Shasta County LAFCo.

B. Disclaimer

Statements contained in the present report which involve estimates, forecasts, interpretations of law, or matters of opinion, whether or not expressly so described, are intended solely as such and are not to be construed as a representation of fact. Data presented as being precise (specifically costs incurred and revenues received in the prior fiscal year, 1991-92) were obtained from appropriate officials, and are identified as such.

The present comprehensive fiscal analysis is based on California law affecting local governments as of January 1, 1993. The future of local government finance in California is subject to uncertainty as demonstrated by the 1992 State budget crisis and the State Legislature's response to this crisis. If any major changes affecting intergovernmental finance in California occur, then the conclusions in the present report are subject to revision.

C. Reasons for Incorporation

The proponents, in the Resolution of Application, give the following reasons for incorporation:

1. To enhance the physical character, community identity, and quality of life in the Shasta Dam Area by establishing local control of public services, land use planning, and public and private investment in the community without any increase in taxes or assessments to existing residents.
2. To establish a locally elected City Council in the new City to provide community leadership, to increase local control over, and accountability for, governmental decisions affecting the citizens of the new City, including comprehensive planning and zoning and other land use decisions affecting the City, increase accessibility of local government officials and staff members, provide a local forum for discussion and resolution of issues important to the community through active community participation programs and opportunities for involvement in civic affairs and to increase local responsibility for determining public service levels and providing capital improvements.
3. To consolidate responsibility for municipal services in the Shasta Dam Area under a single local entity, the new City, which can, through improved efficiency and access to State and Federal revenues not presently available to the community, increase public service levels.
4. To improve public services in the Shasta Dam Area, including:
 - a. improved levels of police protection,
 - b. improved maintenance of existing roads that have been allowed to deteriorate,
 - c. assurance of adequate public services and facilities needed to meet the demands of new residents, and
 - d. improved flood control and drainage facilities.
5. To preserve a vital blend of residential areas (both rural and urban), agricultural, commercial, industrial, and open space land uses while also providing services and jobs for the City residents and the rest of Shasta County.

D. Rationale for Boundary

The actual incorporation boundary was determined by the Local Agency Formation Commission after public hearings on the matter, and is the basis for this report.

E. Plan For Public Services

A city in California is required to provide only a limited number of municipal-type services, including:

- General legislative functions as provided by the City Council.
- Land use planning and control over land use and development.
- Law enforcement.
- Maintenance of roads and other property and buildings that are owned by the city.

The present situation is somewhat unique. The Shasta Dam Area PUD already provides a significant number of the services that a city can provide (in addition to the mandated services described above). The proposal for a City in the Shasta Dam Area is based on the assumption that the existing public service delivery capability of the PUD will be a starting point and that additional mandated services will be added to the already-existing capability of the PUD. With one exception, the proposed City will be a full-service City, whose responsibilities include: water supply, waste treatment, parks and recreation, economic development, and electric power supply, as well as road maintenance, law enforcement, land use planning, and general government.

The proposed reorganization leading to Cityhood would leave the existing fire districts responsible for fire protection. Discussions about cooperative arrangement and a future consolidation of responsibilities are already underway among the Fire Protection Districts. It would be disruptive to the progress that has been made, and the progress that is currently being made, to include fire protection in the services provided by the proposed City.

F. Conclusions About Fiscal Feasibility

The proposal is financially feasible after incorporating the terms and conditions adopted by LAFCo into the analysis. Further, the City is expected to accumulate a reserve of over \$450,000 in General Fund revenue by the end of the study period without imposing new taxes or raising existing taxes. As in the CFA, new revenue from Community Development Block Grants (CDBG) and other State and Federal grants were not included in the analysis. The incorporation would also have a fiscally-neutral impact on Shasta County. (It should be noted, however, that the transfer of service responsibility does not necessarily result in a full cost savings. This issue is discussed in further detail in Chapter V.)

G. Recommended Terms And Conditions

LAFCo has the power to impose certain Terms and Conditions that will be binding on a new city. A comprehensive listing of the Terms and Conditions are included with this report as an attachment; however it would be prudent to note certain Terms and Conditions as they relate directly to this fiscal analysis. Following is a summary of the impact of the terms and conditions imposed by the Commission.

- The base property tax transfer from the County to the City is \$684,822. (The base property tax transfer amount was reduced by \$36,000. This reflects a proportionate share of the County's reduction in property taxes due to the AB-8 shift in 1991-92. While the actual transfer amount is still \$684,822, for the purposes of this analysis, the applicable amount is \$648,822.) Additional property taxes allocable to the City include \$109,000 from the dissolved SDAPUD for park services, \$75,300 from the dissolved SDAPUD for debt service, and \$4,217 from the detached Street Lighting Assessment District for street lighting. The total property tax allocable to the City is \$873,339.
- The City will give the County a proportionate share of solid waste franchise fees based on the share of the fees Countywide that the County is spending on the monitoring and maintenance of the closed landfill within the project area. (Solid waste franchise fees are excluded from the analysis.)
- As it stands, the City's property tax will be established at a set amount (the total of all property taxes less \$36,000) which does not grow with inflation until the amount of property tax generated by the properties within the City boundaries exceeds the base amount. (This point has been called the "point of parity".)

After the point of parity is reached, the **increment** is split 50/50 between the County and the City. The amount that is split (actual percentage-wise) is based on the entire amount that the City is allocated: general transfer amount, the amount from the PUD dissolution, and the amount from the street lighting district. Thus, if the general transfer amount is 28%, the PUD amount is 3%, and the street lighting district is 1%, then the total to be split is 32% – 16% to each of the two.

When the increment is being split, the property tax allocations are made in accordance with existing statutory and procedural requirements; all other property tax methodologies unique to the County-City agreement are no longer active.

For purposes of this analysis, the property tax calculations use the entire property tax allocable to the new City (i.e. County General Fund transfer, SDAPUD transfer, and Street Lighting District transfer). This incremental growth in *all* property taxes is initially used to offset the property tax allocable to the City from outside the incorporation area, and then split 50/50 between the City and County.

- The effective date of incorporation is July 2, 1993.

Other Terms and Conditions are assumed for this analysis, such as the continuation of existing fees and taxes, the transfer of impact fees, and the designation of the new City as successor to the dissolved SDAPUD, but their detail is more appropriate as part of the attachment which shows the actual wording proposed for the Commission.

H. Impact On Shasta County

A significant portion of a new city's revenue base comes by means of a reduction in the County's revenue base. However, this reduction in the County's revenue base is accompanied by a reduction in the responsibility to provide municipal-type services such as law enforcement, planning, animal regulation, and road maintenance.

In Shasta County, the General Fund loss of revenue is largely offset by reduced service responsibility. Based on an analysis of loss of both revenues and service responsibilities, the County would experience no net loss. The County Auditor has indicated that he would not be able to reduce expenditures in the same amount as the cost of services transferred, due primarily to the costs of County overhead. It is beyond the scope of this analysis to duplicate the County budgetary process and determine the actual level of County overhead reductions resulting from the transfer of services to a new City. It is significant to note, however, that as long as the City

contracts for services (particularly law enforcement), reductions in County overhead would not be necessary.

As noted in the preceding Section on Terms and Conditions, this analysis includes a measure designed to mitigate the County's loss of property tax revenue.

The impact of incorporation on the County is discussed in greater detail in Chapter V.

FIGURE I-1 PROPOSED CITY BOUNDARY

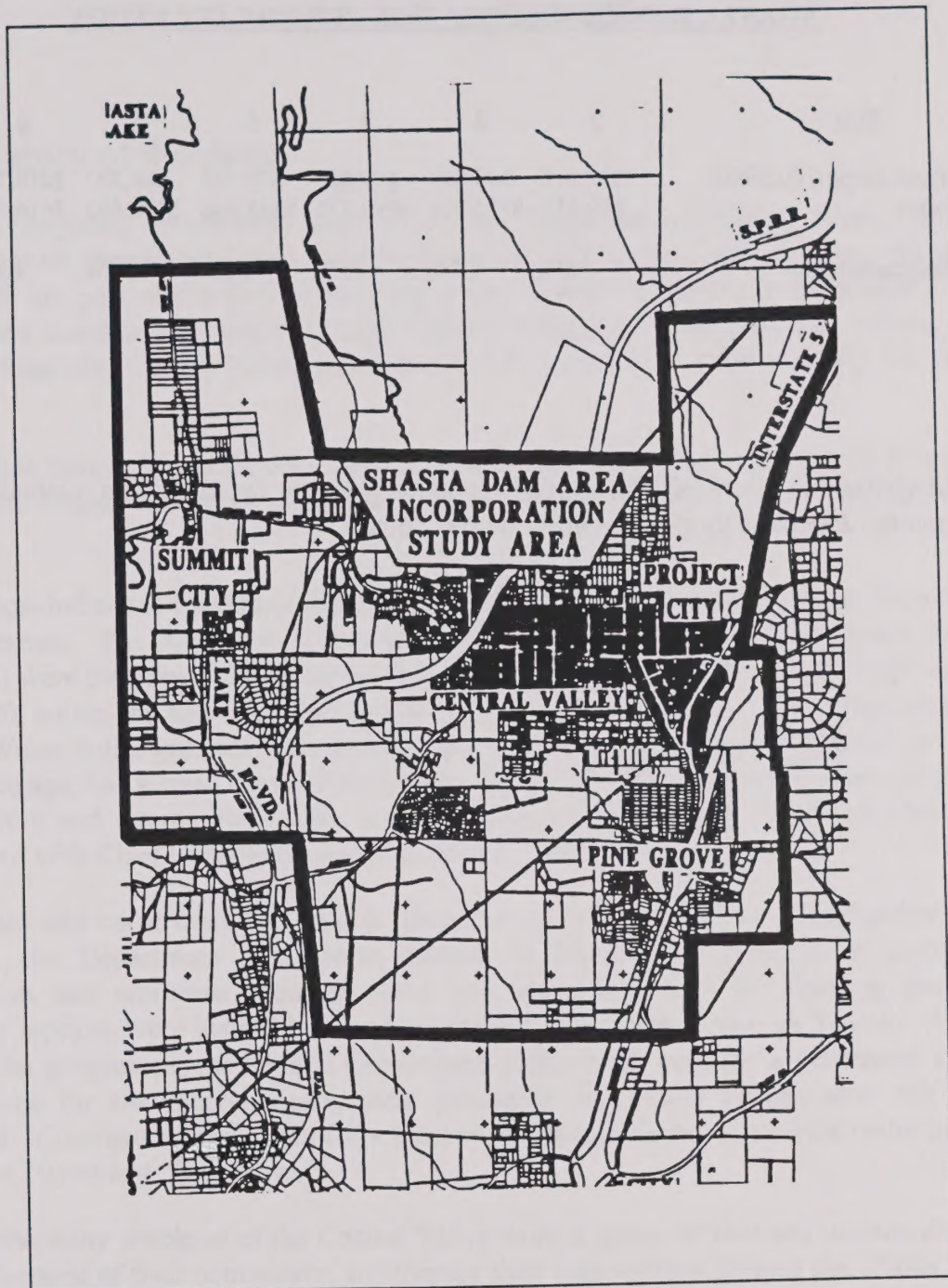


TABLE I-1 ANNUAL GENERAL FUND BALANCE
SHASTA DAM INCORPORATION FEASIBILITY STUDY

<u>Year</u>	<u>1</u>	<u>2</u>	<u>3</u>	- <u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>
General Fund Surplus (Deficit)	\$99,317	\$74,597	\$78,858	\$79,323	\$68,397	\$216,358	\$198,373
Cumulative	\$99,317	\$173,914	\$252,772	\$332,096	\$400,493	\$616,851	\$815,225
Annual Surplus/Revenue	5.8%	2.9%	3.1%	3.1%	2.6%	8.4%	7.6%

As noted earlier, the figures shown above include the property tax allocation methodology which is designed to reduce the long-term impact on the County.

CHAPTER II. GROWTH AND DEVELOPMENT IN THE SHASTA DAM AREA

A. History of the Area

The area originally developed after 1937, the beginning of Shasta Dam construction. Unincorporated abandoned towns include Newtown, Churntown, and Kennatt. Buckeye and Quartz Hill are part of the City of Redding today. Unincorporated towns remaining from the Shasta Dam construction include Central Valley, Project City, Summit City, Toyon, and Pine Grove. Originally, Central Valley was known as "Boomtown" and Project City was known as "Midway".

The pre-dam history traces the area Indians, miners, and lumbermen. "People in Shasta County say that the County has three stages of history: pre-dam history, dam history and after-dam history!"

The few non-Indians in the Shasta Dam Area prior to the dam were gold miners, iron-ore miners and lumbermen. The Indian tribes included the Wintu, Karok, Modoc, Pitt Indians and Maidu. The Wintu were the principal tribe in the Shasta Dam Area, although the main village was located on the bluffs within the heart of what is known as City of Redding, along the Sacramento River. Various Wintu burial grounds were located near higher elevations near Centimudi grade, Jones Valley drainage, and a small area in Pine Grove. The Indian tribe assimilated white dress, adopted white culture and intermarried easily, and therefore, lost its identity. The last identity of the Wintus died with Chief Consolulu's death in January, 1902.

Shasta Dam was constructed by the U.S. Government for flood control and irrigation purposes. However, the Department of Interior, Bureau of Reclamation government supervisors of construction and workmen required water and electric services for housing purposes, so temporary services were installed. The Government Camp was known as Toyon. As the dam construction progressed, the Federal Government realized the need for a permanent community and services for the federal management personnel that would remain after the dam was completed. Contracts were written for a local improvement district to provide water and electric services to Toyon and "Boomtown".

To solve the many problems of the Central Valley Area, a group of men and women dedicated to the improvement of their community, and thereby their own welfare, formed the Shasta Dam Area Improvement District (sometimes referred to as the Central Valley Area Improvement District) in June, 1944.

The Improvement Association promoted the new Utility District, and in July, 1945, the Shasta Dam Area Public Utility District was formed on a vote 370 to 7. The Improvement District was finally absorbed by Shasta Dam Area Public Utility District as stated earlier, in 1948.

Prior to its demise, the Improvement District was instrumental in installation of street signs, removal of junk yards from Shasta Dam Boulevard and development of a zoning plan. Several parks were originally started by the improvement District through land donations. The parks were turned over to Shasta Dam Area Public Utility District and named Clair Engle, Wynne Price and Akrich Parks.

Between 1958 and 1978, Shasta Dam Area grew in population and commercial businesses. The Shasta Dam Area Chamber of Commerce listed 125 businesses in the area in 1988. Many of the businesses are resort and tourist oriented.

Shasta Dam Area Public Utility District enlarged its influence within the area by buying out Pacific Gas and Electric Company electrical facilities in 1979, and began serving water to the United States Bureau of Reclamation and part of the City of Redding.

B. Purpose Of The Development Forecast

In order to do a proper assessment of the fiscal feasibility of a new city, it is necessary to examine the fiscal condition of the city over a mid-range future period. Government Code §56833.1 requires the fiscal analysis to cover three fiscal years. In the first three years after incorporation, various initial factors, such as start-up costs and repayment to the County for services provided during the first fiscal year, can mask the true fiscal condition of the city. Therefore, the present analysis looks beyond the start-up period, and forecasts the fiscal condition of the city for seven years after incorporation.

It is unrealistic to assume that a city's development would remain stagnant over this seven year period. Development directly affects a city's fiscal condition through increased property and sales tax revenue, as well as a demand for increased services. For this reason, a reasonable assessment of the fiscal feasibility of a city over the next seven years depends on a reasonable forecast of development for that same period.

The purpose of this Chapter is to discuss how the development forecast was derived. This forecast becomes the underlying growth assumption used in the fiscal analysis discussed in Chapter IV.

The development forecast is not a detailed market analysis of the type that would precede a development proposal by a private individual or group. The forecast is more general in nature and serves only to provide a estimate of growth that can reasonably be expected in the Shasta Dam Area.

C. The Development Forecast

A forecast of development is shown in Table II-1. The forecast is described in more detail in the following sections.

1. Setting

The Shasta Dam incorporation feasibility Study Area encompasses approximately eleven square miles north of Redding and south of Shasta Lake. There are four communities in the study area: Summit City, Central Valley, Project City, and Pine Grove. Project City and Central Valley are the two largest communities and are roughly in the center of the Study Area. Pine Grove is in the southern portion of the Area, and Summit City is in the northwest portion of the Study Area. The area around the existing communities, where most development is likely to occur, is characterized by either flat, or gently rolling, terrain.

There are three major north/south transportation arteries through the Study Area. The interstate freeway (I-5) and Lake Boulevard are the two major automobile routes which link the Study area to Redding and Lake Shasta. Also, a Southern Pacific Railroad right-of-way passes through Central Valley.

2. General Assumptions

The Study Area is primarily a residential and rural area providing affordable housing to people who work in the Redding area. The retail and office development in this area is local-serving only. Currently there is very little industrial development within the Study Area boundary, but the Shasta Dam Area PUD has begun an aggressive economic development program.

During the 1980s residential development in the Study Area was limited due to constrained sewer capacity. As a result, non-residential development (i.e., retail and office) was also limited because these land uses have historically only served the local residents.

In 1989 a redevelopment area was implemented in the Study Area. So far the redevelopment project has only focused on promoting industrial development. Activity is concentrated on the Gateway Industrial Park in the southern portion of the Study Area.

3. Residential Development

Although there has been only a limited amount of residential development, the development community has shown interest in this area. Currently there are eight tentative residential tract maps within the Study Boundary. These eight subdivisions include a total of 1,682 single-family residential lots and two golf courses.

Completion will depend on both increased sewer capacity and the continued interest of merchant builders and land developers. It is likely that at least three of the planned residential projects, totaling just over 300 units, will be built within the next five years. The additional 1,400 subdivided building sites would provide ample support for a higher forecast, but the intent behind the forecast is to be conservative.

4. Industrial Development

Currently there is almost no industrial development within the Study Area. There is, however, a large industrial project proposed for the southern portion of the Study Area. The Gateway Industrial Park is currently being developed by the Shasta Dam Area PUD. This development will be divided between incubator space and owner-occupied development. The first phase of this project is likely to add between 200,000 and 300,000 square feet of industrial development over the next five years. Success with Phase I of Gateway should spark further industrial development in this area. This project appears to hold the greatest development potential in the Study Area.

The fiscal effect of development in the Gateway Industrial Park is difficult to forecast. The number of employees per acre varies widely, and taxable retail sales can occasionally be quite high, even in an industrial park setting.

To avoid an additional source of uncertainty in the comprehensive fiscal analysis, a conservative assumption was made about growth in the Industrial Park.

5. Office and Retail Development

Recent building trends, building permit activity and the current stock of non-residential development in the Study Area were reviewed. This examination indicated that there has been virtually no recent non-residential development activity in the Study Area. Additionally, there is only a very limited amount of retail and office space within the Study Boundary. This indicates that the non-residential development in this area is local-serving only.

Either increased residential development or development in the Industrial Park, or a combination of both, could lead to an increase in both office and retail development.

Establishments that serve the local population and establishments that would serve employers relocating to the Industrial Park could both benefit from growth in the area. Once again, assumptions about growth and development were deliberately selected to be conservative.

6. Redevelopment

The pre-existing redevelopment area covers most of Central Valley Project City. Most developed land in the Study Area is within the redevelopment boundary. In addition, the Gateway Industrial Park and one-quarter of the residential lots on existing tentative tract maps are in the redevelopment area.

The implication of redevelopment is that all incremental property tax, above 1989 levels, flows to the Redevelopment Agency, NOT to the County, Special Districts or a proposed city. This means that although development may occur within the Study Area, a new city would only receive increased property tax from those projects outside the redevelopment area.

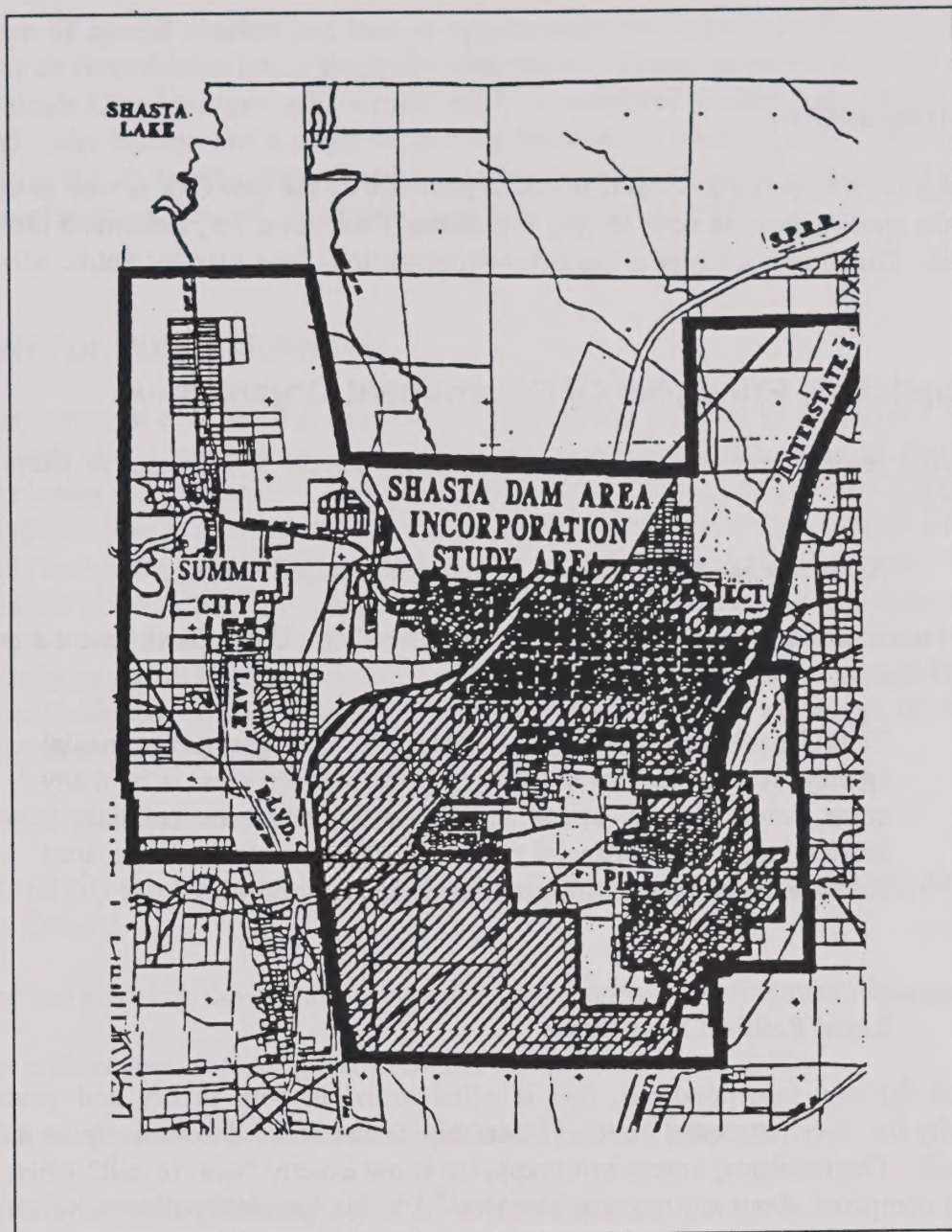
TABLE II-1
DEVELOPMENT FORECAST
SHASTA DAM INCORPORATION FEASIBILITY STUDY

		1	2	3	4	5	6	7	Total	
Land Use Category	Units	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	Developed
RESIDENTIAL										
Single Family	Dwelling Units	50	106	106	106	58	59	60	61	606
Multi-Family	Dwelling Units	11	0	0	0	13	13	13	13	63
Total		61	106	106	106	71	72	73	74	595
Cumulative Units		4,719	4,825	4,931	5,037	5,108	5,180	5,253	5,327	
Population		164	180	183	186	190	193	196	199	1,293
NON-RESIDENTIAL										
Retail	Square Feet	1,700	1,900	1,900	1,900	2,000	2,000	2,000	2,100	15,500
Office	Square Feet	0	2,100	0	0	2,400	0	0	2,500	7,000
Industrial	Square Feet	0	50,000	50,000	50,000	50,000	50,000	0	0	250,000
Hotel/Motel	Rooms	0	0	0	0	0	0	0	0	

Source: Angus McDonald & Associates.
Rangename: @FORECASTS

Note: Multi-Family category contains mobile homes and duplex units.

FIGURE II-1 EXISTING REDEVELOPMENT AGENCY BOUNDARY



CHAPTER III. PLAN FOR PUBLIC SERVICES

A. Introduction

LAFCo must determine the services that will be provided by the new City as well as determine the future of the special districts now serving the Shasta Dam Area, i.e., determine the structure of government. The present chapter presents recommendations for a Plan for Public Services.

B. Applicable Principles Of Government Organization

The following general principles should be considered when the government structure of any new city is selected.

1. A Preference For Cities To Provide Municipal Services

One of the most fundamental principles of the Cortese-Knox Local Government Reorganization Act of 1985 is stated in Government Code §56001.

“The Legislature finds and declares that a single governmental agency, rather than several limited purposes agencies, is in many cases better able to assess and be accountable for community service needs and financial resources and, therefore, is the best mechanism for establishing community service priorities.”

2. Local Political Leadership

One reason for city incorporations, that is often sound in both theory and practice, is that responsibility for governance and political leadership can be focused exclusively on a five-member City Council. The residents, voters and taxpayers know exactly “who to call” when they have a problem or complaint about any municipal service. A single, politically-responsive elected body is identified as the sole source of responsibility for municipal-type issues. The issues raised may range from affordable housing and the problems of the homeless to the repair of pot holes and the efficient functioning of the water and sewer systems.

3. Economies And Efficiencies

Consolidation of special districts can lead to opportunities for improved efficiency, if common functions can be consolidated into a single city department. Examples would include a single City Council, a single City Manager with support staff, consolidated vehicle maintenance functions, consolidated utility billings, and a single accounting function. Another argument for consolidating District functions is to assure common policies, technical assumptions, etc., regarding the amount and location of services that will be provided to newly-developing areas.

C. Plan For Public Services

The existing arrangements for delivering local government services in the Shasta Dam Area suggest strongly that a newly-incorporated City should provide a full range of municipal-type services (excluding fire protection). The Shasta Dam Area PUD already provides a wide range of municipal-type services in addition to the minimal list of services that Shasta County must provide to unincorporated areas. The PUD already has a very strong institutional capacity for general management, for planning and economic development functions and for financial management and control. In fact, as discussed further in Chapter III, the new City would begin with a strong financial base because the PUD already has managerial and other capabilities. In contrast to many new cities in California, a City in the Shasta Dam Area could take advantage of the existing general government services provided by the PUD through economies of scale.

The City would provide the following services:

- General city government, as provided by the City Manager acting under the direction of a City Council.
- Land use planning, development regulation and economic development planning.
- Law enforcement, including traffic control and accident investigation.
- Road maintenance and maintenance of other city-owned property.
- Services currently provided by the PUD, including:
 - Water
 - Wastewater
 - Electricity
 - Parks and recreation
 - Street lighting

Additional issues of public service delivery deserve discussion.

Structural Fire Protection. No change in fire prevention and protection service is recommended, for the near-term future. Fire protection is the one public service that, at least for the immediate future, will be provided by special districts. A full-service city normally assumes responsibility for fire protection and prevention. In the present instance, an immediate change in the status quo could be disruptive to efforts that are already in progress to achieve fire district cooperation and, ultimately, consolidation.

A professionally-prepared study of fire protection in the area has already recommended consolidation of fire protection as an ultimate objective. The Districts have already entered into cooperative discussions about mutual aid and other forms of cooperation. There is every expectation that moves towards cooperative activities will continue over the next several years. A precipitous reorganization that could result from including fire protection in the service plan for a new city, might disrupt and delay the progress that is already being made. A change in organizational arrangements would not be productive at the present time.

Wildland Fire Protection. Suppressing wildland fires is currently the responsibility of the California Department of Forestry and Fire Protection (CDF). CDF works closely and cooperatively with the Fire Protection District, but has the basic responsibility. By State law, the role of CDF is limited to unincorporated areas. With certain very limited exceptions relating to efforts to prevent fires in urban areas from spreading into lands under the protection of CDF, suppression of wildland fires in incorporated cities is the responsibility of the city or the special district providing structural fire protection to the city.

The boundary of the proposed City has been selected to exclude lands that are the responsibility of CDF from the incorporated boundary.

Redevelopment. A Redevelopment Agency exists and covers a significant portion of the proposed City. This Redevelopment Agency is currently managed by Shasta County, but its program is in the early stages. After incorporation, negotiations between the new City and Shasta County can determine the appropriate future for the Redevelopment Agency.

Remaining County Services. As with any municipal incorporation, the county remains responsible for a significant range of services to all of its citizens, whether or not they live in cities. Examples include health and welfare services, management of the criminal justice system (excluding police and detective services) and such administrative responsibilities as are provided by the County Assessor and the County Recorder.

Table III-1, on the following page details the proposed plan of service.

Table III-1
ORGANIZATION OF MUNICIPAL SERVICES

<u>Services</u>	<u>Present Provider</u>	<u>Likely Provider</u>	<u>Remarks/Recommendation</u>
General Government	County of Shasta	Proposed City	
Public Protection:			
Law Enforcement	County of Shasta	Proposed City	Contract with County
Traffic Control/Accident Investigation	California Highway Patrol	Proposed City	Contract with County
Fire Protection	County of Shasta	No change	
	Buckeye Fire Protection District	No change	
	Central Valley Fire Protection District	No change	
	Summit City Fire Protection District	No change	
Animal Control	County of Shasta	Proposed City	Contract with County
Community Development:			
Planning & Land Use Regulation	County of Shasta	Proposed City	
Building Inspection	County of Shasta	Proposed City	
Community Services:			
Recreation Programs	Shasta Dam Area Public Utility District	Proposed City	
Parks Services	Shasta Dam Area Public Utility District	Proposed City	
Public Works/Public Utilities:			
Streets and Highways	County of Shasta	Proposed City	
Domestic Water	Shasta Dam Area Public Utility District	Proposed City	
	Shasta County Water Agency	No change	
	City of Redding	No change	
Wastewater Treatment and Disposal	Shasta Dam Area Public Utility District	Proposed City	
Flood Control	Shasta County Flood Control District	No change	
Street Lighting	County Service Area #15	Street Lighting Assessment District (City)	
Refuse Collection	County of Shasta	Proposed City	Franchise with Private Co.
Solid Waste Disposal/Landfill	County of Shasta	No change	Not affected
Other Services:			
Electricity	Shasta Dam Area Public Utility District	Proposed City	Not affected (franchise)
	Pacific Gas & Electric	No change	
Gas	Pacific Gas & Electric	No change	Not affected (franchise)
Cable Television	Vicom	No change	Not affected (franchise)

D. Services Currently Provided by the Shasta Dam Area Public Utility District

The Shasta Dam Area Public Utility District serves 3,800 customers in the area with Electric, Water, Wastewater, Parks & Recreation, and Economic Development Services.

1. Electric

Electric service provided by the District is supplied at the wholesale level by the Western Area Power Administration (WAPA). This contract supplies the District with 11.4 megawatts of clean, reliable, low cost electricity. This positive working relationship with WAPA allows the District to provide one of the lowest utility rates to its customers in the entire state. An additional supplemental use contract with PG&E allows the District to exceed the WAPA 11.4 megawatt maximum and continue to supply the District's service area with its growing electrical needs.

In order to plan and provide for our area's future load growth the District is presently part owner of the California Oregon Transmission Project (COPT). This new 500 kV AC transmission line spans from the Captain Jack Substation just north of the Oregon border to the Tesla Substation in Alameda County. This line becomes operational in January of 1993 and will provide the District's service area with an additional 25 megawatts of capacity.

Present contracts and COTP ownership, coupled with aggressive demand side management and conservation programs, make the Shasta Dam Area PUD's electric future a bright one.

Within the area of the proposed incorporation, there are locations that are not presently being served by the PUD for electric service. These locations are being served by PG&E. As well, the District serves PG&E territory at its southern boundary. The District is presently negotiating with PG&E for a potential trade of distribution systems in those areas within the future city boundaries. It was through this method that the District originally obtained its electrical system. Following incorporation, services currently provided by PG&E would continue to be provided by PG&E until the City completes the transfer of distribution systems.

2. Water

The District's water supply is purchased from the U.S. Bureau of Reclamation. The water is pumped by the Bureau from Shasta Lake, to the District's new state of the art water treatment plant. This 4 million dollar plan, with a present capacity of 5 mgd (expandable upon demand) capacity, supplies its customers with what many feel is the best water in the county.

The District's water transmission and distribution system is comprised of approximately 140 miles of pipeline, 8 storage tanks (3,000,000 gallons capacity). The system is adequate to provide sufficiently for the present 2,2821 meters and future growth as well.

The District has prepared a Water System Master Plan to assist in replacement of older water mains while providing for interloop systems to better serve the customers by maintaining proper flow and pressure.

The District also supplies water to City of Redding residences. District treated water is transported through a bureau of Reclamation water main to a City of Redding owned distribution system. Upon incorporation, it is recommended by the District's that the new City consider buying the distribution system from Redding that falls within the new City's boundaries and continue in the present agreement with the Bureau over the use of the water main.

3. Wastewater

The District's wastewater (effluent) is then discharged to Churn Creek during the winter months, and is used for irrigation water during the summer months. Sierra Pacific Industries lumber mill also used effluent during the summer months to wash down the log deck.

Presently, the District is upgrading the wastewater system to provide improved (secondary to advanced secondary) treatment for up to 1,300,000 gallons per day. This project cost is in the range of 12 million dollars, most of which is grant funded.

After incorporation, any unsewered area that wishes to install sanitary sewer systems would be required to have an assessment district formed or the new city could pursue possible grant funding of that type of project.

4. Park and Recreation

The Parks & Recreation Department is a full service Department providing recreation activities and facilities for all ages. The people in the District established the department in the 1950's.

The Department provides services that extend well outside the present District boundaries and serves approximately 14,000 individuals that live in the greater Shasta Dam Area and North Redding. The Department has had a steady growth in participation in activities and the construction of new facilities sand the upgrade of existing facilities. These facilities include:

- a. Senior Community Center - 7300 square feet (site for large/small indoor activities)
- b. Clair Engle Park - Community Park (site for large outdoor activities)

- c. Akrich Park - Neighborhood Park
- d. Shasta Park - Neighborhood Park
- e. Blue Canyon Park - Neighborhood Park
- f. Vallecito Tennis Courts - two courts
- g. Wynne Price Ball Park - large ballfield (site for high school and 3 other baseball leagues)
- h. Bizz Johnson Little League Complex (3 field complex)
- i. Margaret Polf Regional Park (site for Little League, Men's, Women's, and Co-Ed softball, youth and adult soccer, bicycle motocross track, and walking, jogging, nature trail)
- j. Downtown islands and landscape areas.

Future facilities and parks will be designed, constructed and funded utilizing state and federal grants, plant and facility capacity charges, private foundations, user fees, and community donations.

Maintenance and operation costs will be shared with cooperative agreements between the new city, the local Gateway Unified School District and the various user groups.

Activities provided by the Department are as follows:

- a. Seniors – Dances, nutrition, games, health and welfare, referrals to social and assistance programs, exercise.
- b. Adults – dance, bridge, Alcoholics Anonymous, hunter safety, miscellaneous recreation classes
- c. Youths – summer youth playground program, youth theater, hunter safety
- d. Special Events – community Christmas program, Christmas Arts and Crafts show, Rock and Mineral show, Community Talent show, Summer Concert Series

Support services are provided for the following to help with coordination and/or assistance with their organization, i.e., referrals, auditing, accounting, logistics, organization, fee collection, facility use and improvement, Shasta Dam Area Little League/Senior League, Senior Citizens Shasta Dam Area, River City Bridge Club, Shasta Dandies Square Dance, NorCal Softball

Association, NorCal BMX Association, NorCal Hardball Baseball Association, Co-ed Softball, Shasta Senior Nutrition program, American Legion Baseball of Central Valley, Shasta Dam Area Youth Soccer League.

5. Economic Development

The Shasta Dam Area Public Utility District is in the process of developing an exciting new 50 acre industrial park that has the potential of attracting new industry and creating needed jobs with our District.

The Shasta Dam Area Public District is one of the few utility districts in California that is taking the initiative and lead roll of economic development within its district. The project team that has been assembled to develop the proposed industrial park draws upon the combined talents of the District's in-house licensed civil engineers, development specialists and marketing personnel.

The District has conducted and commissioned numerous studies of the area, as well as a comprehensive study on the attitudes and opinions of District service users and feel development of the District service area is the best solution to the paramount concern of unemployment in the area.

After incorporation, the development services provided by the District will be enhanced since local control will be increased.

6. Staffing

Shasta Dam Area Public Utility District (SDAPUD) employs 36 full-time employees. The District has a professional management staff with employees formally trained in Public Administration, Civil Engineering and Public Works, Urban and Rural Land Use Planning, Electrical Engineering, Accounting, Architecture, Economics, and Business. Line Personnel are trained in wastewater, water, power, parks and recreation.

The intent of the incorporation plan is to use the SDAPUD organization as the core of the proposed new city.

Road maintenance, law enforcement, and animal regulation will likely be accomplished by contracting with other governmental agencies or hiring: 1) a new employee to bid out road and drainage maintenance and construction, and 2) law enforcement personnel.

Building inspection will likely require hiring a new employee qualified to do building, electrical, plumbing, and mechanical inspections. The position will be funded by permits and fees collected through a Building Department.

Other required work, such as land use zoning and General Plan preparation will require consultant contracts. The costs will be paid from City start-up funds.

CHAPTER IV. FISCAL ANALYSIS

A. Basic Assumptions

The core of the Comprehensive Fiscal Analysis is a comparison of revenues and expenditures for the proposed City. Technical assumptions on which a revenue/expenditure comparison was based are summarized in Table IV-1 and discussed in the present section. More detailed discussion of all assumptions underlying the analysis is provided in Appendix A.

1. Level Of Service

For purposes of the comprehensive fiscal analysis, it was assumed that the LOS for those services provided by the new City would be at least equal to the LOS currently being provided by Shasta County. The manner in which services will be provided and priorities and emphasis may differ from Shasta County's current practice, depending on the policy direction given by the City Council.

2. Contract Services

It was assumed, for purposes of this analysis, that the City would contract with Shasta County to provide police services, animal control and road maintenance. The assumption about contract services is not binding on the City Council or Shasta County, and is a recommendation only.

Contracting is strongly recommended for the following reasons:

- Contracting with the County for police, road and animal control services assures an orderly transfer of responsibility upon incorporation from the County to the City with no interruption in quality or level of service. Under contract, the City Council has the authority to expand, decrease or redirect the services provided depending on the needs of the community. Yet, the City avoids certain costs of recruitment, training and program development that would be required in starting up these operations. In addition, contracting preserves the expertise and commitment of the local staff who have been serving the area for many years.
- Should the City Council find that any of the contracting arrangements are unsatisfactory, it is free to plan for and provide for these services directly.

3. Continuity Of Legal Institutions

As noted subsequently in Appendix A, it is assumed that the institutional framework that exists in California on January 1, 1993 will continue. Two assumptions deserve particular emphasis.

No Change In State Finance Of Municipalities. In 1992, the State Legislature considered major restructuring of local government finance as part of measures to deal with the State budget crisis. The 1993 State Legislature and future State Legislatures may also consider restructuring that could affect a new City's finances. Given the impossibility of predicting the outcome of the legislative process, the present analysis assumes no change in the current methods of municipal finance.

The Three-times Voter Rule. New cities in California frequently enjoy a significant fiscal advantage for the first five full fiscal years (plus an initial partial fiscal year if the effective date of incorporation is other than July 1). This advantage occurs when revenues are shared between local governments (or local governments and the State of California), and where the allocation of revenues depends wholly or in part on population. A new city's population is taken as three times the number of registered voters on the effective date of incorporation. This population is used for the allocation of motor vehicle in lieu (vehicle license fees) and certain gas taxes either for the first five full fiscal years or until the true population exceeds this "artificial" population.

The advantage to the proposed City of this legislation was summarized in Table IV-1.

Effective Date Of Incorporation. This report assumes the effective date of incorporation as established by the Shasta County LAFCo, July 2, 1993.

4. Annual Operations And Capital Expenditures

With limited exceptions, the present fiscal analysis is concerned exclusively with the annual cost of providing city services compared to the annual revenues from ongoing revenue sources. The fiscal feasibility analysis does not include the issue of paying for capital improvements to provide capacity for new growth.

The decision not to analyze the cost of capital improvements is entirely appropriate for new cities in California at the present time. Currently, it is the significant exception rather than the rule to provide for new roads and other facilities out of the Fuel Tax Fund or General Fund of a new city. Instead, financing capacity for growth now depends almost exclusively on some form of development-related financing, such as development impact fees or special assessment districts. It can be assumed that growth will not be approved by a new City Council unless sufficient capacity exists to accommodate this growth or unless some form of development-related financing is imposed as a condition of development.

Accordingly, fiscal feasibility depends solely on whether annual revenues will be sufficient to support annual expenditures.

There is, however, one area where financing improvements are discussed. Furniture and fixtures that will be required by the new City are included. As discussed below, the fiscal analysis also considers necessary "start-up" expenditures.

5. Creating A Reserve Fund

According to Government Code §53833.1, an incorporation Comprehensive Fiscal Analysis must show a "reasonable reserve" to be considered financially feasible. Lacking a definition of "reasonable", the Commission must make a determination of "reasonable" for each specific incorporation proposal. This is of particular importance since the enactment of new Sections of the Government Code allowing the Commission to impose financial mitigation measures to cause fiscal-neutrality. Further, it is a generally accepted procedure to examine each year on a stand-alone basis, i.e., reserves from prior years are not used as current year revenue. The result of this is to build a substantial fund balance by the end of the seven-year study period. This fund balance could actually be used by the city for emergencies, such as natural disasters, and other unanticipated expenses.

The only exception to this policy is in regard to the initial surplus in the Road Fund. Since the County is required to provide road maintenance services during the first year after incorporation, the gas tax revenue allocated to the city is allowed to accrue for one year. This revenue is then used to help offset Road Fund costs in the second year of the study period.

6. Start-up Costs

A new city must be prepared to make certain investments of a "one-time" nature, because the city is first coming into being. The assumptions about start-up expenditures for the proposed City are summarized in Table IV-2.

B. Results Of The Fiscal Analysis

Fiscal feasibility has been tested, given the expected level of growth and development that was described in Chapter II. A conclusion that the City is fiscally feasible requires that Commission determine that the annual revenues exceed annual expenditures by a reasonable amount. The period for this determination is recommended to be for the seven-year period following incorporation. In other words, the annual budget must balance with a reasonable reserve (without regard to surpluses that have accrued in earlier years) after the advantage of the three-time voter rule is over and after certain start-up expenditures have been made.

Revenues, expenditures and fund balances are presented, assuming the expected level of development, in Tables IV-3 and IV-4.

C. Conclusions About Fiscal Feasibility

Under the expected level of development, and based on the recommended terms and conditions, the City will have a positive fiscal result after three years, and a positive fiscal balance after the seventh year. The seventh year is important in this analysis as it indicates the fiscal health of the City after the benefits from the "3 x Voters" rule have run out. The Commission, in adopting the incorporation and the accompanying terms and conditions, made a finding that incorporation of the community would be financially feasible.

D. Discussion of the Property Tax Transfer

Based on the calculation made pursuant to §56842, using information submitted by each affected local agency, including the County, the amount of property tax to be transferred to the new City is \$648,822. According to the County Auditor-Controller's Office, the total County General Fund property tax collections within the project area are \$429,812. This discrepancy occurs because of an unanticipated consequence in the law which dictates the method calculation. Government Code §56842 requires that the amount of the transfer be based on the amount of general property tax used to fund the "total net cost [to the County] during the prior fiscal year of providing those services which the new jurisdiction [the City] will assume within the area of the proposal." The amount of the transfer has **absolutely nothing to do with the assessed value or property tax collections within the incorporation area**. In most cases the apparent incongruity in this is decried by proponents of incorporations of wealthy, high assessed value, areas. Since their area *generates* so much property tax, the city should receive a high amount; but, again, the formula does not make an accounting for assessed value. Likewise, in the Shasta Dam Area, §56842 does not allow for consideration of the assessed value or property tax collections, and requires that "the commission *shall* determine the amount of property tax revenue to be exchanged by the affected local agency pursuant to this section." (Emphasis added.)

The question, then, is how will the transfer work mechanically? Based on a review of the Revenue & Taxation Code, not only is there nothing which addresses this situation, but there is nothing, generally, which addresses how the Tax Apportionment Factors (TAFs) for a new city are established. Based on the methodology generally applied to incorporations by county auditors elsewhere in the State, the difference in property tax would be made up from the total County

General property tax collections. This would be through the use of negative TAFs for the County within the Tax Rate Areas (TRAs) within the new City.

Staff recommended, and this report incorporates, a different method of allocating property taxes for the new City and the County. Based on an agreement reached between the proponents, the County, and LAFCo, Staff developed a property tax allocation methodology which closes the gap between the transfer amount and the local collections amount, and eventually goes a step further and provides the County with a portion of local collections.

Under the proposed plan, the property tax amount allocable to the City will remain at the base transfer dollar amount (adjusted for inflation) until all of the City property tax is generated from within the TRA's within the City. After this point, the City would begin to receive incremental property taxes. Further, after this point, the County General Fund would begin to receive property taxes as well.

In the following illustration, each bar represents the total property tax allocable to the new City and the County from within the new City boundary. In this example, the amount of property tax from outside the incorporation boundary reduces until the fourth year, after which, the County would begin receiving a portion of the one-percent property tax from the incorporation area.

Property Tax Allocation Shasta Dam Incorporation Proposal

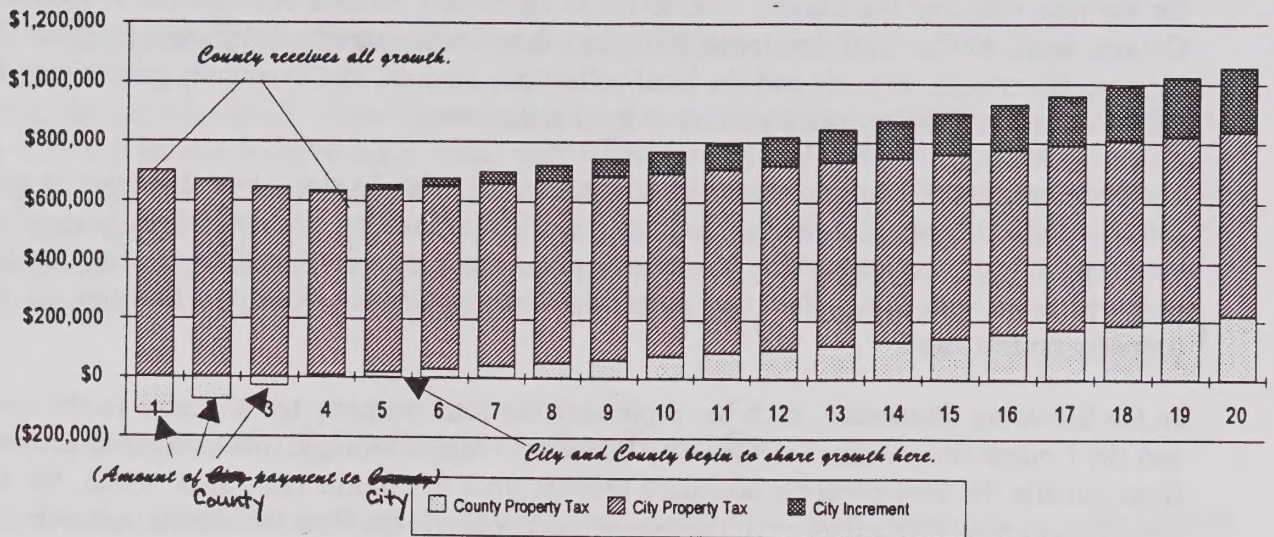


TABLE IV-2 TECHNICAL ASSUMPTIONS
SHASTA DAM INCORPORATION FEASIBILITY STUDY

Timing

Year LAFCo Action Is Completed	1992/93
"Prior Fiscal Year" For Government Code §56842 Calculations	1991/92
Date Of Incorporation Election	June 1, 1993
Effective Date Of Incorporation	July 2, 1993
First Year City Receives Property Tax	1994/95
Last Year "Three-times Voters" Rule Applies ⁽¹⁾	1997/98
Date By Which Shasta County Must Be Repaid ⁽²⁾	1998/99

Property Tax Transfer (1991/92)

Transfer From County General Fund	\$648,822
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Registered Voters And True Population

Number Of Registered Voters	4,419
Three-times Voters	13,257
Estimated Population	9,760
Advantage (%)	35.8%

Notes:

- ¹ A new city's population is calculated as three times the number of registered voters in the formulae that control the sharing of certain revenues between the State of California and cities and counties in California.
- ² Based on the County's request, the new city must repay the county for the net cost of municipal services provided by the county during the city's first fiscal year.

Source: Shasta County Office of Clerk-Recorder, Election Clerk and Angus McDonald & Associates.

**TABLE IV-3 SUMMARY OF START-UP EXPENSES
SHASTA DAM INCORPORATION FEASIBILITY STUDY**

Description of Item	Total Costs	1	2	3	4	5	6	7
		1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00
FIXTURES, FURNITURE AND EQUIPMENT	\$20,000	\$20,000						
PLANNING STUDIES								
General Plan/EIR	\$200,000	\$100,000	\$50,000	\$50,000				
Major Projects Financing Plan	\$100,000	\$100,000						
Zoning & Subdivision Ordinances	\$30,000	\$30,000						
SYSTEMS AND PROCEDURES								
Records Retention Program	\$15,000	\$15,000						
Microfilming - County Records	\$15,000	\$15,000						
Classification and Pay Study	\$5,000	\$5,000						
TRAINING PROGRAMS								
Strategic Planning & Staff Training	\$5,000	\$5,000						
ELECTIONS	\$5,000	\$5,000						
NEW CITY SERVICES	\$45,000	\$45,000						
Annual Total Start Up Expenses	\$440,000	\$340,000	\$50,000	\$50,000	\$0	\$0	\$0	\$0

Source: Angus McDonald & Associates.

TABLE IV-4 REPAYMENT TO COUNTY FOR INTERIM YEAR SERVICES
SHASTA DAM INCORPORATION FEASIBILITY STUDY

Cost of Services	
Law Enforcement	\$1,039,389
Animal Control	\$107,036
Road Maintenance	\$149,074
Total Costs	\$1,295,499
Less: Revenues Retained by County	
Property Tax	\$429,812
Property Transfer Tax	\$595
Sales Tax	\$53,340
Motor Vehicle In-Lieu	\$323,625
Total Revenues	\$807,372
Net Payback To County	\$488,127

NOTES

- (1) The effective date of incorporation is assumed to be July 2, 1993.

TABLE IV-5 REVENUE ESTIMATES
SHASTA DAM INCORPORATION FEASIBILITY STUDY

Description of Item	1 Interim Year 1993/94	2 1994/95	3 1995/96	4 1996/97	5 1997/98	6 1998/99	7 1999/00
GENERAL FUND							
Taxes							
Property Tax							
Collections Within Inc. Area	\$104,675	\$597,193	\$616,422	\$628,808	\$639,052	\$649,626	\$660,540
Collections Outside Inc. Area	\$0	\$77,010	\$30,813	\$0	\$0	\$0	\$0
Real Property Transfer Tax	\$12,372	\$13,596	\$13,799	\$13,905	\$14,114	\$14,228	\$14,444
Sales Tax	\$124,460	\$215,925	\$218,490	\$221,190	\$223,890	\$226,590	\$229,425
Transient Occupancy Tax	\$9,968	\$9,968	\$9,968	\$9,968	\$9,968	\$9,968	\$9,968
Franchise Taxes	\$56,453	\$57,693	\$58,933	\$59,764	\$60,606	\$61,460	\$62,326
Fines and Penalties							
Vehicle Code Fines	\$34,164	\$37,870	\$38,470	\$39,090	\$39,720	\$40,350	\$41,000
Other Fines, Forfeitures & Penalties	\$5,784	\$6,410	\$6,510	\$6,620	\$6,720	\$6,830	\$6,940
PUD Funds - Parks							
Property Tax							
User Fees, Charges and Interest	\$24,606	\$24,999	\$25,399	\$25,806	\$26,220	\$26,641	\$27,069
Enterprise Funds - Allocated Overhead	\$822,384	\$835,532	\$848,904	\$862,502	\$876,331	\$890,395	\$904,698
Revenue From Other Agencies							
State Motor Vehicle In-Lieu	\$397,360	\$403,720	\$410,180	\$416,750	\$423,430	\$430,230	\$437,140
Interest Earnings	\$47,800	\$68,400	\$68,300	\$68,500	\$69,600	\$70,700	\$71,800
Revenue From 3X Voter Rule (3)	\$75,130	\$68,080	\$60,910	\$53,620	\$46,210	\$0	\$0
TOTAL GENERAL FUND	\$1,715,157	\$2,416,397	\$2,407,098	\$2,406,523	\$2,435,862	\$2,427,017	\$2,465,350
ROAD FUND							
Fuel Tax - Section 2105	\$57,786	\$66,787	\$66,822	\$66,853	\$66,882	\$62,892	\$63,930
Fuel Tax - Section 2106	\$56,212	\$60,093	\$58,903	\$57,748	\$56,606	\$52,734	\$52,346
Fuel Tax - Section 2107	\$107,555	\$117,134	\$116,942	\$116,760	\$116,571	\$109,387	\$110,956
Fuel Tax - Section 2107.5	\$2,774	\$2,667	\$2,564	\$2,466	\$2,371	\$2,280	\$2,192
Transfer From General Fund	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL ROAD FUND REVENUES	\$224,327	\$246,680	\$245,231	\$243,826	\$242,430	\$227,293	\$229,424
ADDITIONAL REVENUE							
Revenues From 3x Reg. Voter Rule	\$75,130	\$68,080	\$60,910	\$53,620	\$46,210	\$0	\$0
Transfer To General Fund	(\$75,130)	(\$68,080)	(\$60,910)	(\$53,620)	(\$46,210)	\$0	\$0
Interest Earned	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL ADDITIONAL REVENUE	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CUMULATIVE	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL ALL FUNDS	\$1,939,483	\$2,663,077	\$2,652,329	\$2,650,349	\$2,678,292	\$2,654,310	\$2,694,775
ENTERPRISE FUNDS (2)							
Water	\$877,271	\$891,297	\$905,561	\$920,066	\$934,818	\$949,821	\$965,078
Power	\$4,009,840	\$4,073,950	\$4,139,146	\$4,205,449	\$4,272,878	\$4,341,452	\$4,411,191
Waste Water	\$587,950	\$597,350	\$606,910	\$616,632	\$626,518	\$636,573	\$646,799
TOTAL ENTERPRISE FUNDS	\$5,475,061	\$5,562,597	\$5,651,617	\$5,742,147	\$5,834,214	\$5,927,845	\$6,023,068
Cumulative	\$5,475,061	\$11,037,658	\$16,689,274	\$22,431,421	\$28,265,636	\$34,193,481	\$40,216,550

Notes:

- (1) All dollar amounts are in January 1, 1992 dollars.
- (2) Figures taken from 1991/92 audit.
- (3) The revenue advantage resulting from state subventions being calculated with a population figure equal to three times the number of registered voters. The population figure used is higher than the true population of Shasta Dam.

TABLE IV-6 SUMMARY OF EXPENDITURES AND FUND BALANCES
SHASTA DAM INCORPORATION FEASIBILITY STUDY

Description of Item	1 (Full Year) 1993/94	2 1994/95	3 1995/96	4 1996/97	5 1997/98	6 1998/99	7 1999/00
GENERAL FUND							
General Government							
City Council/City Administration	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000
Risk Management	\$70,000	\$70,000	\$70,000	\$70,000	\$70,000	\$70,000	\$70,000
Attorney/Legal Services	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000
PUD Funds - Parks	\$133,614	\$135,750	\$137,923	\$140,132	\$142,379	\$144,664	\$146,988
General Overhead Costs (5)	\$822,384	\$835,532	\$848,904	\$862,502	\$876,331	\$890,395	\$904,698
Property Tax Administration	\$0	\$21,575	\$20,712	\$20,122	\$20,450	\$20,788	\$21,137
Community Development	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000
Public Safety							
Law Enforcement (Contract) (6)	\$0	\$839,537	\$864,723	\$890,664	\$917,384	\$944,906	\$973,253
Booking Fees	\$0	\$32,273	\$32,789	\$33,315	\$33,849	\$34,392	\$34,944
Animal Control (Contract)	\$0	\$107,036	\$107,036	\$107,036	\$107,036	\$107,036	\$107,036
Public Works							
Engineering				See Note (2)			
Transfer To Road Fund	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Start Up Expenses	\$340,000	\$50,000	\$50,000	\$0	\$0	\$0	\$0
Reimburse To County (Interim Services)	\$150,000	\$125,000	\$75,000	\$75,000	\$63,127	\$0	\$0
Total General Fund Expenditures	\$1,655,998	\$2,356,702	\$2,347,086	\$2,338,770	\$2,370,555	\$2,352,180	\$2,398,056
General Fund Surplus (Deficit)	\$59,159	\$59,694	\$60,012	\$67,753	\$65,306	\$74,837	\$67,294
Cumulative	\$59,159	\$118,853	\$178,865	\$246,618	\$311,924	\$386,761	\$454,056
Annual Surplus/Revenue	3.4%	2.5%	2.5%	2.8%	2.7%	3.1%	2.7%
ROAD FUND							
Road Maintenance Expense	\$0	\$225,000	\$230,000	\$235,000	\$240,000	\$240,000	\$245,000
Total Road Fund Expense	\$0	\$225,000	\$230,000	\$235,000	\$240,000	\$240,000	\$245,000
Road Fund Surplus (Deficit)	\$224,327	\$21,680	\$15,231	\$8,826	\$2,430	(\$12,707)	(\$15,576)
Cumulative	\$224,327	\$246,007	\$261,238	\$270,064	\$272,494	\$259,787	\$244,211
ENTERPRISE FUNDS (4)							
Water	\$512,696	\$520,893	\$529,229	\$537,706	\$546,328	\$555,096	\$564,013
Power	\$3,092,378	\$3,141,819	\$3,192,099	\$3,243,231	\$3,295,232	\$3,348,116	\$3,401,899
Waste Water	\$414,778	\$421,410	\$428,153	\$435,012	\$441,987	\$449,080	\$456,294
Overhead Allocation to General Fund	\$822,384	\$835,532	\$848,904	\$862,502	\$876,331	\$890,395	\$904,698
Total Enterprise Fund	\$4,842,236	\$4,919,654	\$4,998,385	\$5,078,451	\$5,159,877	\$5,242,686	\$5,326,903
Total Enterprise Fund Balance	\$632,825	\$642,943	\$653,232	\$663,696	\$674,337	\$685,159	\$696,165
Cumulative	\$632,825	\$1,275,768	\$1,929,000	\$2,592,695	\$3,267,032	\$3,952,192	\$4,648,357

Notes:

- (1) All expenditure line items are in addition to existing expenditures of the Public Utility District.
- (2) Provided by PUD staff or by contract, with costs recovered from fees.
- (3) All dollar amounts are in January 1, 1992 dollars.
- (4) Figures taken from 1991/92 audit. Expense figures excludes depreciation and amortization.
- (5) General Overhead costs include: City Council/Board, Risk Management, Attorney Services, and Property Tax Administration.
- (6) Law Enforcement service costs are increased annually at a rate of 3% above inflation.

Source: Angus McDonald & Associates

TABLE IV-7 THE APPROPRIATIONS LIMIT FOR THE CITY FISCAL YEAR 1993/94
SHASTA DAM INCORPORATION FEASIBILITY STUDY

<u>Description</u>	<u>Amount</u>
Taxes	
Property Tax (All)	674,203
Real Property Transfer Tax	13,596
Sales Tax	215,925
Transient Occupancy Tax	9,968
Franchise Tax	57,693
Revenue From Other Agencies	
State Motor Vehicle In-Lieu	403,720
Interest Earned	41,253
Reserve Fund from 3X Reg. Voters	68,080
Total Proceeds from Taxes (1992 \$'s)	1,484,438
Total Proceeds from Taxes (1995 \$'s)	1,669,791
Total Proceeds from Taxes (1996 \$'s w/population growth)	1,764,374

Source: Angus McDonald & Associates.

CHAPTER V. IMPACT ON SHASTA COUNTY

Chapters II through IV have dealt with the fiscal feasibility of establishing a City in the Shasta Dam Area. The present Chapter deals with the impact on Shasta County if the area incorporates.

Shasta County would experience significant savings in law enforcement and road maintenance if the area incorporates. For example, the City would become responsible for the cost of Sheriff's patrol.

In other cases, Shasta County's savings from transfer of services to the new City cannot offset the cost to provide municipal-type services. The County Board of Supervisors provides a simple example. Accepted standards of cost accounting requires that the Shasta County's Board of Supervisors role as a body comparable to a city council be acknowledged, when the costs of providing municipal services to the area is calculated. This cost cannot be recovered as a savings after incorporation. The makeup of the County Board of Supervisors is unchanged after incorporation. Although the Board of Supervisors no longer deals with land use decisions in the Shasta Dam Area, practical examples in other areas of California suggests that Board matters that could be classified "city/county relations" will consume at least an equal amount of Supervisors' time and effort after the area incorporates. In other words, a cost is recognized for cost accounting purposes, but this cost cannot be translated into a direct savings after incorporation.

The net impact on Shasta County if the area incorporates is summarized in Table V-1. The revenues lost are those which the new City would receive; likewise, the costs saved are for those services which the new City would assume. The amount of the largest cost, law enforcement, is based on recent cost estimates by the Sheriff's Department for fiscal year 1992-93. As shown, the incorporation would not have a negative fiscal impact; further, the incorporation would have a *fiscally-beneficial* impact on the County.

TABLE V-1 SUMMARY OF IMPACT ON SHASTA COUNTY GENERAL FUND
SHASTA DAM INCORPORATION FEASIBILITY STUDY

Description Of Item	² 1994/95	³ 1995/96	⁴ 1996/97
COUNTY GENERAL FUND REVENUE LOSS			
Property Tax			
Collections Within Inc. Area	(\$520,944)	(\$543,223)	(\$551,075)
Collections Outside Inc. Area	(\$77,010)	(\$30,813)	\$0
Plus, Payment from City to County	\$77,010	\$30,813	\$0
Real Property Transfer Tax	(\$13,596)	(\$13,799)	(\$13,905)
Sales Tax	(\$215,925)	(\$218,490)	(\$221,190)
Transient Occupancy Tax	(\$9,968)	(\$9,968)	(\$9,968)
Franchise Taxes	(\$57,693)	(\$58,933)	(\$59,764)
Vehicle Code Fines	(\$18,935)	(\$19,235)	(\$19,545)
Other Fines, Forfeitures & Penalties	(\$6,410)	(\$6,510)	(\$6,620)
Animal Control	(\$30,439)	(\$30,439)	(\$30,439)
Planning	(\$26,994)	(\$26,994)	(\$26,994)
TOTAL GENERAL FUND REVENUE GAIN/(LOSS)	(\$900,904)	(\$927,591)	(\$939,500)
COUNTY GENERAL FUND RESPONSIBILITY LOSS			
Sheriff	\$815,084	\$815,084	\$815,084
Animal Control	\$137,475	\$137,475	\$137,475
Planning	\$62,986	\$62,986	\$62,986
Booking Cost	\$32,273	\$32,789	\$33,315
Property Tax Administration	\$21,575	\$20,712	\$20,122
COUNTY GENERAL FUND RESPONSIBILITY (GAIN)/LOSS	\$1,069,392	\$1,069,046	\$1,068,981
TOTAL COUNTY GENERAL FUND EFFECT - GAIN/(LOSS)	\$168,488	\$141,455	\$129,482
COUNTY ROAD FUND REVENUE LOSS			
Section 2104, 2105, 2106	(\$51,636)	(\$52,855)	(\$53,532)
TOTAL ROAD FUND REVENUE GAIN/(LOSS)	(\$51,636)	(\$52,855)	(\$53,532)
COUNTY ROAD FUND RESPONSIBILITY LOSS			
Road Maintenance	\$155,850	\$159,238	\$162,626
COUNTY ROAD FUND RESPONSIBILITY (GAIN)/LOSS	\$104,214	\$106,383	\$109,094
TOTAL COUNTY ROAD FUND EFFECT GAIN/(LOSS)	\$52,578	\$53,528	\$55,562
NET IMPACT UNDER GOV'T CODE 56845 - GAIN/(LOSS)	\$221,066	\$194,983	\$185,043

NOTES

- (1) Building inspection is operated on a full cost-recovery basis, and so costs and revenues have been zeroed-out for this analysis.
- (2) It should be noted that a transfer in service responsibility does not necessarily result in a full cost savings. Such savings are subject to administrative and legislative actions.

1. Fiscal Neutrality

The County and Proponents reached an agreement regarding fiscal neutrality, the result of which is detailed on the previous Table. Based on the cost and revenue estimates contained in Table V-1, the incorporation more than meets this criterion of fiscal neutrality. Since LAFCo relied on the agreement reached by the two parties, rather than on strict fiscal neutrality, the Commission did not require that the County benefit be reduced.

APPENDIX A. METHODOLOGY AND ASSUMPTIONS USED IN THE COMPREHENSIVE FISCAL ANALYSIS

A. General

1. Continuity Of Legal And Institutional Constraints

The analysis was based on assumptions about intergovernmental municipal finance applicable as of December 1, 1992. The analysis assumes the constraints and limitations of Proposition 13. While there are court cases pending that would significantly affect property taxes in California, any assumptions other than present law is highly speculative. The analysis does not include state and federal grants tied to housing and specific capital investment programs. Revenues from grants, if received, would be completely offset by expenditures made in furtherance of the purposes of the grants. In addition, those services that are financed from user charges (e.g., building inspection) were assumed to be self-financing. The user charge was assumed to provide completely for the cost of service with no net cost to the proposed city. The analysis does include revenues available from the 1990 increase in the fuel tax.

2. Cost And Revenue Inflation

The feasibility study is presented in terms of dollars with January 1, 1992 purchasing power. While the results are presented in constant January 1, 1992 dollars, both the general rate of inflation and the rate of property value appreciation affect property tax revenues. The general rate of inflation is assumed to be 4% per year, and property values are assumed to increase at the rate of general inflation.

3. Population For State Subventions

Certain revenues are collected by the State and allocated to cities and counties. Some such "subventions" from the State to cities are based in whole, or in part, on the population of the city. These subventions include motor vehicle in-lieu taxes, fuel taxes and cigarette taxes. Revenue and Taxation Code §11005.3(b) provides that the population to be used for these subventions for a newly incorporated city is the greater of:

- (1) The number of registered voters as of the effective date of incorporation multiplied by three, or;
- (2) The actual population of the incorporated area.

This is effective for a new city's "...first five full fiscal years, and any portion of the first year in which the incorporation is effective if less than a full fiscal year."

In the case of this proposal, the "3 x Voters" provides a population higher than the actual population of the area. As a result, the population figure that will be used to determine the amount of these subventions will be the "3 x Voters" number within the corporate boundaries of the proposed city as of the effective date of incorporation. The number of registered voters as of July 1, 1993 was estimated based on the number of registered voters as of 1991/92 adjusted for anticipated population growth up to the effective date of incorporation. The option of discontinuing the "3 x Voters" rule at the time the City's true population exceeds the figure produced by this rule is evaluated every year.

B. General Fund Revenues

1. Property Tax

The original transfer of property tax to the proposed city of \$684,822 is controlled by Government Code §56842. The property tax base that would be transferred from the Shasta County General Fund was calculated using data from County Departments compiled by independent Certified Accounting firm of Lund & McSweeney, as well as information obtained directly from the Sheriff's Office. The base transfer amount under the proposed boundary as of 1992-93 is shown in Table A-1.

TABLE A-1 SUMMARY OF PROPERTY TAX TRANSFER CALCULATION
SHASTA DAM INCORPORATION FEASIBILITY STUDY

Transfer from County	
<u>Description</u>	<u>Amount</u>
Board of Supervisors	\$58,721
Sheriff	\$1,039,389
Animal Control	\$107,036
Planning	\$35,992
Booking Cost	\$31,765
Total Cost of Services Provided By Shasta County	\$1,272,903
Auditors Ratio	53.80%
Base Transfer Amount From County To Shasta Dam	\$684,822
1991/92 Reduction From AB-8 Shift	\$36,000
Revised Transfer Amount From County To Shasta Dam	\$648,822
Public Utility District	\$109,000
Street Lighting Property Tax	\$4,217
Total City Property Tax	\$798,039
Revised City Property Tax	\$762,039
Total Property Tax Within City Boundaries	\$543,029
Transferred Amount Not Within Boundaries	\$219,010

a. Incremental Increases in Property Taxes

Estimating increases in property tax revenues is complex because the estimate must consider the interaction of various legal constraints (e.g., Proposition 13 and Assembly Bill 8) and market forces.

Proposition 13 (1978) limits property taxes to one percent of the Taxable Assessed Value (TAV) of real and personal property. Increases in the TAV of a given property may not exceed two percent (2%) per year unless the property experiences a change in ownership, or taxable improvements are added to the property. If the property is sold, or improved, the TAV is adjusted by the County Assessor to the property's then current fair market value. The effect of this anomaly is that the property tax revenue flowing to a jurisdiction from a particular property will most likely decline, in real terms, over time. For example, if the increase in the market value of a single family home is the same as the rate of inflation then the real purchasing power of property tax revenue from this residence declines over time unless:

- (1) Price inflation is less than, or equal to, two percent per year, or;
- (2) The property changes ownership every year.

This phenomenon is true for all land uses, in all jurisdictions, throughout the state of California.

In light of the above discussion, it is clear that the property turnover rate plays an important role in estimating the amount of property tax revenue that will be generated. It should be noted that the turnover of vacant land and the ability of some homeowners to transfer their property tax basis when they purchase a replacement home was not considered in the analysis. Finally, the analysis assumes the market value of residential and non-residential property will increase at the same rate as inflation (the inflation rate is assumed to be 4% per year).

An algorithm was constructed by Angus McDonald & Associates that calculates future TAV based on the forecast of future development. The algorithm simulates the process of any given year in which;

- the TAV of those properties which change hands, as reflected in the turnover rate, rises to the then current market value, and
- the TAV of the properties that were not sold increases by 2%.

For each distinct land use category, and each year in the analysis a multiplier is calculated that captures the effect of the general price level inflation, real estate inflation, and the turnover rate of a typical property. The multiplier is, in effect, a probability coefficient in which the probability of the TAV increasing to the market value is a function of the turnover rate and the probability of

the TAV increasing by 2% is one minus the turnover rate. This multiplier is used to adjust the TAV created by new development to account for the effects of Proposition 13.

The time at which property tax revenues will accrue to the proposed city is determined by the assessment cycle. The property tax calculation assumed negligible use of the Supplemental Tax Roll and negligible development during January and February of any year.

2. How the Property Tax Base Was Calculated

The distribution of property taxes among taxing jurisdictions is also subject to legislative mandate (Assembly Bill 8). Following the passage of Proposition 13, the greatly reduced property tax revenue was distributed to jurisdictions in accordance with their previous share of the property tax. These shares are described formally as Tax Apportionment Factors (TAFs). This section describes and explains the calculations required by statute to determine the property tax transfer and the (TAFs) applicable to the proposed city. In addition, this section details the calculations of the property tax transfer prepared for the Comprehensive Fiscal Analysis.

a. Determining the Original Property Tax Transfer Amount

Government Code §56842 guides the calculation of the original amount of property tax transfer to a new city. The steps to be completed by the LAFCo for agencies not transferring all service responsibility are as follows:

- (1) Request the county auditor to determine the proportion that the amount of property tax revenue derived by each affected local agency pursuant to subdivision (b) of §93 of the Revenue and Taxation Code bears to the total amount of revenue from all sources, available for general purposes, received by such agency in the prior fiscal year. This ratio is identified as the "Auditor's Ratio" in the text.
- (2) Determine, based on information submitted by each affected local agency, an amount equal to the total net cost to each affected local agency during the prior fiscal year of providing those services which the new jurisdiction will assume within the area subject to the proposal.
- (3) Multiply the amount determined pursuant to paragraph (2) for each affected local agency by the corresponding proportion determined pursuant to paragraph (1) to derive the amount of property tax revenue used to provide services by each affected local agency during the prior fiscal year within the area subject to the proposal.

b. Tax Apportionment Factors

1) Tax Rate Areas (TRAs) and The Use of Tax Apportionment Factors (TAFs)

A Tax Rate Area is defined in §95 of the Revenue and Taxation Code as:

A specific geographic area all of which is within the jurisdiction of the same combination of local agencies and school entities for the current fiscal year.

Every year the Shasta County Assessor measures the change in Taxable Assessed Value (TAV) in each TRA in the County. Under the limits imposed by Proposition 13, one percent of the annual change in TAV represents the total change in property tax that will be shared among the taxing jurisdictions within each TRA. This change in total property tax revenue is referred to as the "Annual Tax Increment" in §97 of the Revenue and Taxation Code.

The Shasta County Auditor-Controller has calculated a TAF (or Annual Tax Increment factor) for each jurisdiction serving a particular TRA. TAFs are defined in §97.5 of the Revenue and Taxation Code. The TAFs in a given TRA are such that:

- The TAFs for all taxing agencies serving the TRA sum to 1.0 for a TRA.
- The TAF for each jurisdiction indicates the percent of the total Annual Tax Increment that will be distributed to the jurisdiction. In other words, the TAFs control the share of the property tax revenues generated from the change in TAV that will be available to each jurisdiction.
- The property tax revenue a jurisdiction receives in a given year is equal to the total property tax revenue it received in the prior year plus the jurisdiction's share of the current year's Annual Tax Increment. This calculation is performed for each TRA.

3. Real Property Transfer Tax

Real property sales (and resales) within the proposed city will be taxed by the County at the rate of \$1.10 per \$1,000 of property value. Half of this revenue will be distributed to the City after the City adopts an appropriate ordinance. Sales of new residential, industrial and commercial properties as well as undeveloped properties that transfer ownership are subject to this tax..

4. Sales Tax

In general, sales and use taxes are imposed on the retail sale or the use of tangible personal property in California. Items excluded from taxation include property that is purchased for resale,

food for home consumption and prescription medicines. Since the initial enactment of sales and use tax laws in California in 1933 numerous other exemptions and exclusions have been granted that remove the liability for tax on certain types of property and organizations. In general, services are excluded from taxation, although services incidental to the sale of tangible personal property are usually taxable.

All cities and counties in the state levy a basic one percent sales tax and have the option to levy additional sales taxes under certain circumstances. Sales and use tax revenues are collected by the California State Board of Equalization. The Board of Equalization allocates the local portion of these revenues to the appropriate local governments. The local portion of sales tax revenues generally are allocated according to the location of the sale rather than residence or business location of the purchaser. (Exceptions occur for certain items and for taxes imposed on the use of property.)

Sales and Use Tax revenues were estimated in four separate components:

1. Sales tax revenues that would derive from taxable sales by existing business establishments that would be within the new City's corporate limits;
2. Sales tax revenues that would derive from the taxable sales from the new commercial space that is forecast to be built within the new city's corporate limits;
3. Sales tax revenues that would be generated by taxable sales from guests staying at the new Hotel/Motel facilities that are forecast to be built within the new city's corporate limits;
4. Additional State allocation of sales and use taxes.

Sales tax revenues from existing businesses were tabulated by the State Board of Equalization, Research and Statistics Division. These revenues were assumed to remain constant in real dollars, that is, they were assumed to increase at the general inflation rate.

Sales tax revenues from new commercial space were estimated based upon average taxable sales per square foot of floor area. Based on data from other Northern California settings, taxable transactions per square foot of retail space were assumed to be \$135.00.

It should be noted that in practice per square foot taxable sales (and use taxes) from commercial and Hotel uses are subject to wide variation and depend upon the specific tenant mix.

Actual sales tax revenues received by local jurisdictions vary from an estimate based on one percent of taxable transactions occurring within that jurisdiction. A major source of the difference is accounted for by the distribution of certain proceeds of sales and use taxes collected by the

Board of Equalization but not attributable to a specific point-of-sale. Such revenues are accounted for at both the county and Statewide levels. An example of such a revenue accounted for at the county level is proceeds from the sale (or use) of certain construction materials. An example of such a revenue accounted for at the state level is use tax on third-party sales of used automobiles. These county and State "pots" are allocated to local jurisdictions in proportion to the amount of other sales tax revenues generated within that jurisdiction.

5. Transient Occupancy Tax

It was assumed that the City will adopt a resolution determining a tax based upon gross receipts of hotel/motels operating within the City. While the actual transient occupancy tax would be determined by the City Council, for purposes of this analysis, it was assumed that the City would adopt a rate of 10 percent on gross receipts, which is the current rate charged by Shasta County.

An incorporated City might be able to improve its transient occupancy tax collections by an enforcement program to ensure that individual property owners who rent homes to vacationers/recreationists collect the applicable transient occupancy tax for short-term stays.

6. Franchise Tax

It was assumed that the City will impose a tax based upon the gross receipts of certain businesses franchised to operate within the city. While the actual franchise tax rates that would be imposed would be determined by the City Council, assumptions were made based upon the rates currently charged by Shasta County.

7. Other Fines, Forfeitures & Penalties

Fines and forfeitures are collected for violations of local ordinances, criminal violations, and health/safety violations. These revenues were estimated based on a per capita multiplier of \$0.55. The multiplier was derived from an analysis of comparable cities.

8. Vehicle Code Fines

Vehicle code fines are collected for violations of the vehicle code. This revenue source was estimated using a per capita factor of \$3.25 based on the experiences of comparable cities. It should be noted that due to recent changes at the State level, the County would continue to receive a portion of the vehicle code fine collections from within the City to help offset court costs.

9. Motor Vehicle License Fees

With the exception of a share to cities that did not levy a property tax before Proposition 13, Motor Vehicle License Fees are distributed by the state to localities solely on the basis of population. The revenue is generated by vehicle registration fees, in-lieu of property tax, and is paid to the California Department of Motor Vehicles. This revenue item was estimated based on a per capita multiplier of \$34.65; this is the revised 1992/93 per capita estimate from the State Controllers office.

10. Cigarette Tax

Due to the recent State Budget agreement, this revenue source is no longer available to cities in California.

11. Off-Highway Motor Vehicle License Fees

This apportionment is made under Vehicle Code §38240(a). These fees are in lieu of taxes based on value. This revenue item was considered immaterial and hence left out of the analysis.

12. Use Of Money And Property

The City will earn return on the investment of idle monies. Idle monies consist both of money deposits in a Reserve Fund and monies that are received in advance of expenditure needs. Revenue in this category depends upon the size of the reserve and the rate of return earned. The estimate is based on an annual three percent real rate of return.

13. Tax Anticipation Note

In the event of a revenue shortfall in the first fiscal year, brought on by the proposed city not receiving tax revenue sufficient to cover its costs, a Tax Anticipation Note is recommended. A first-year cash flow problem may be remedied by pledging the anticipated sales tax revenue at a local bank or financing institution. The Tax Anticipation Note would be repaid with interest once expected tax revenue materializes.

C. Road Fund Revenues

1. Highway Users Taxes — Tax Rates

All fuel tax revenues were the result of a mathematical model, created by Angus McDonald & Associates, which forecasts statewide fuel usage, and apportions the resulting revenues to localities based on the procedures outlined in the applicable code sections.

The model has been tested on historical data, and has produced revenue estimates virtually identical to actual allocations received by cities and counties. The forecasts of fuel consumption are consistent with historical trends in California.

As a result of the passage of Proposition 111 (June 1990) the \$0.09 per gallon tax under the Motor Vehicle Fuel License Tax Law (beginning with §7301 of the Revenue and Taxation code and applicable to gasoline) and the \$0.09 per gallon tax under the Use Fuel Tax Law (beginning with §8601 of the Revenue and Taxation code and applicable to diesel fuel) were both increased to \$0.14 per gallon effective in August of 1990. Each tax rate was increased to \$0.15 per gallon in 1991, and each tax rate will be increased annually by \$0.01 through 1994 at which time the rate will be \$0.18 per gallon.

The following sections detail the apportionment of highway users tax revenue from the applicable sections of the Streets and Highways code.

2. §2104 — Streets and Highways Code

Under the Streets and Highways §2104, the net revenue from 2.035 cents (\$0.02035) of the \$0.15 per gallon tax on gasoline and 1.80 cents (\$0.0180) of the \$0.15 per gallon tax on diesel fuel is apportioned only to the counties in California. The apportionment of revenue for subdivisions [a] through [f] of §2104 are explained below.

The following steps are used to apportion the net revenues under §2104:

- [a] Each county receives an annual fixed allocation of \$20,000.
- [b] The total reimbursable costs for snow removal on county roads filed for pursuant to §2152, or \$3.0 million for the entire state, whichever is less is apportioned to counties as follows: (Note: this apportionment is provided for in §2110.)
 - (1) If the amount filed pursuant to §2152 is less than \$3.0 million for the state the total amount filed under §2152 is apportioned.

- (2) If the total amount filed pursuant to §2152 is \$3.0 million or more then it is apportioned by adding the reimbursable snow removal expenditures for the three preceding fiscal years for which the Controller has received reports pursuant to §2152, and dividing this amount by the total reimbursable snow removal expenditures from all the counties during these fiscal years.
- [c] A total of \$500,000 is payable to counties under §2104[c] for heavy rainfall and storm damage on county roads. This money is apportioned to certain counties (31 of the 58) based on fixed percentages as presented in the Streets and Highways §2110.5.
- [d] Seventy-five percent of the funds payable under §2104 are apportioned among the counties based on the proportion of fee-paid and exempt vehicles registered in each county to the total number of fee-paid and exempt vehicles registered in the state.
- [e] Of the remaining funds each county shall receive an amount computed monthly as follows: The number of maintained county road miles multiplied by \$60 (\$720 annually), less the amount received by the county under §2104[d]. The remainder, if any, shall be paid to the county.
- [f] The remaining funds, after [a] through [e], are apportioned among the counties in the same proportion as in subdivision [d].

3. §2105 — Streets and Highways Code

In July 1989, SB 300 amended §2105 to the Streets and Highways code to detail the method of apportionment for the additional highway users tax revenue generated by the passage of Proposition 111.

(a) County

Each county, including a city and county, in California is apportioned an amount based on 11.5% of the amount in excess of \$0.09 per gallon as imposed under the Motor Vehicle Fuel License Tax Law (gasoline) and the Use Fuel Tax Law (diesel fuel). As a result, beginning in 1991, \$0.00690 per gallon from each of the applicable taxes is apportioned under §2105. The apportionment methodology applicable to counties under §2105 is as follows:

- (1) \$1.0 million is apportioned in proportion to §2104 and §2106 received in the prior year.
- (2) \$1.0 million is apportioned based on (a) and (b) below:

- (i) \$750,000 is apportioned based on the proportion of fee-paid and exempt vehicles in the county to the fee-paid and exempt vehicle registration in the state.
 - (ii) \$250,000 is apportioned based on the proportion of the number of road miles maintained by the county to the number of road miles maintained by counties in the state.
- (3) A factor is determined for each county as the higher ratio as determined in (1) or (2) divided by the sum of the higher ratios for all of the counties.
- (4) The amount to be apportioned to counties is the factor as determined in (3) multiplied by the remaining amount to be apportioned to counties.
- (b) City

Each city, including a city and county, in California is apportioned an amount based on 11.5% of the amount in excess of \$0.09 per gallon as imposed under the Motor Vehicle Fuel License Tax Law (gasoline) and the Use Fuel Tax Law (diesel fuel). As a result, beginning in 1991, \$0.00690 per gallon from each of the applicable taxes is apportioned under §2105. The apportionment methodology applicable to cities under §2105 is as follows:

 - (1) The proportion that the city population bears to the total population of all the cities in the state.

4. §2106 — Streets and Highways Code

Under the Streets and Highways §2106, the net revenue from \$0.0104 of the \$0.15 per gallon tax imposed on gasoline is apportioned to the cities and counties in California. The following sections detail the apportionment of this revenue source.

- (a) Each month \$400 is apportioned to each city, including city and county, and \$800 is apportioned to each county, including city and county.
- (b) \$30,000 per month is transferred to the Bicycle Lane Account in the State Transportation Fund.
- (c) The remaining funds are apportioned as follows:
 - (1) A base amount is calculated for each county using the same proportions of fee-paid and exempt vehicle registration as calculated for §2104[d].

- (2) The ratio of the TAV in the county outside of incorporated cities to total TAV subject to local taxes is applied to the base amount as calculated in (1) above. The resulting amount is distributed to the county.
- (3) The difference between the base amount calculated in (c)(1) and the amount distributed as calculated in (c)(2) is apportioned to the cities in that county in proportion that the population of each city bears to the total population of all cities in the county.

5. §2107 — Streets and Highways Code

Under the Streets and Highways §2107, the net revenue from \$0.01315 of the \$0.15 per gallon tax on gasoline and a \$0.0259 of the \$0.15 per gallon tax on diesel fuel are apportioned to the cities, and cities and counties, in California. From the revenues collected, snow removal costs equal to one-half of the amount incurred in excess of \$5,000, as detailed in the report filed pursuant to §2152, is apportioned to those cities who had such costs and filed pursuant to §2152. The remaining amount of revenue is apportioned based on the proportion that the total population of the city bears to the total population of all the cities in the state.

6. §2107.5 — Streets and Highways Code

Under the Streets and Highways §2107.5, revenue is allocated to cities based on population as detailed in the following section:

(a)	Population over 500,000	\$20,000
(b)	Population 100,000 to 500,000	10,000
(c)	Population 50,000 to 99,999	7,500
(d)	Population 25,000 to 49,999	6,000
(e)	Population 20,000 to 24,999	5,000
(f)	Population 15,000 to 19,999	4,000
(g)	Population 10,000 to 14,999	3,000
(h)	Population 5,000 to 9,999	2,000
(i)	Population less than 5,000	1,000

D. Ongoing Expenditures

1. General Government

General Government expenditures include City Council, City Manager, City Attorney, Administrative Services (Accounting, etc.), and non-departmental functions such as insurance and risk management.

a. City Council/City Administration

The annual cost for the City Administration was based on an analysis of comparable cities. The annual estimate is \$75,000. This cost consists of the Council salaries, and increase in salary for the City Manager (beyond the current salary of the PUD Manager), the salary for an administrative assistant, and associated benefits expenses.

b. Risk Management/Insurance

The annual cost for the insurance for the new City was based on an analysis of comparable cities. The annual estimate is \$20,000 more than the PUD is currently paying, bringing the total to \$187,000 annually. An additional \$50,000 would be required for self-insured retention.

c. Attorney/Legal Services

The annual cost for the new City's Legal Services was based on an analysis of comparable cities. The annual estimate is \$25,000 beyond the current amount spent by the District.

2. Public Safety

The assumption used in this analysis is that the new City would contract with Shasta County for provision of law enforcement services. The final decision on how police services would be provided would be made by the new City Council. The City could decide to create its own police department that would be responsible for protecting and maintaining public order, controlling and preventing crime, and enforcing the motor vehicle laws and regulations within the City limits.

The Level Of Service that was used in the CFA increases the Level Of Service from an "as-needed" response level to two full-time beats patrolling and responding in the area. In addition, the City would also be responsible for providing traffic control and accident investigation service previously provided by the California Highway Patrol. In addition to providing more patrol time in the city, the additional in-town beat would be able to respond more quickly to calls for service.

The Sheriff's Department provided cost estimates for use in determining the cost savings to the County and for potential City contracts.

It was assumed that the City Council of the proposed city would also contract with the County for the provision of Animal Control services. The current cost of providing this service to each of the boundary areas was assumed to remain constant throughout the study period, and was provided in the survey of County departments.

3. Planning and Land Use Control

The Community Development Department would be responsible for developing and executing plans and programs to assure the orderly development of the City. The Department would include development permit processing, and long range planning and housing programs.

The budget for Planning and Land Use assumes that a Planning Director would be recruited as soon as possible. In the interim, District Staff would handle the added workload. This pattern of staffing reflects experience in other jurisdictions where, in spite of the fact that the County could be required to continue Planning and Community Development services until the end of the first fiscal year, the new City Council members prefer to deal with someone who is responsible only to their own City Manager. The annual cost for the Planning Department is based on a total cost of \$220,000, with 75% offset with fees.

4. Public Works

The Public Works Department is responsible for providing a safe and efficient transportation system and would be the lead department for the installation of public improvements, as well as the implementation of the City's Capital Improvement Program. The Department would include three functions: Engineering, Road Maintenance, Facilities Maintenance.

5. Housing Programs

Under State law, the new City will be required to have a Housing Element in its General Plan and to adopt programs to assure affordable housing within the City. As a practical matter, affordable housing programs in cities in California are conventionally accomplished either through regulation or through grant programs that are available from the Federal Government. The fiscal impact on discretionary revenues (i.e., revenues that can be appropriated at the discretion of the City Council) is normally negligible. As a result, no allowance for housing programs from discretionary revenues was included in the fiscal analysis.

6. State And Federal Grants

State or Federal Grant programs were not included in the fiscal analysis. Insofar as State and Federal Grants are available, their fiscal impact will be neutral as additional grant revenues will be offset by additional expenditures.

7. One-time Expenditures

A new city must make first-time expenditures that are associated with the process of becoming a city. An estimate of one-time expenditures is shown in Table IV-2 in the main text of the report.

Certain start-up expenses (e.g., the required repayment of the cost of the election if the incorporation election is successful) do not depend on the boundaries of the City or the rate of growth. Other expenses may be reduced if the City is not experiencing significant amounts of growth.

8. Reimbursement For First-Year Costs

According to Government Code §57384(b), the County Board of Supervisors may request that the new City reimburse the County for the net cost of providing services during the City's first fiscal year. If requested, LAFCo shall impose this requirement as a term and condition of the incorporation. The City is then obliged to reimburse the County within five years of the effective date of incorporation, unless a longer period is agreed to by the Board of Supervisors. The analysis assumes the Board of Supervisors will request reimbursement.

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